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Item 8 (a) of the provisional agenda
Report on the work of the Conference of European Statisticians, its Bureau and Teams of Specialists

Report of the Seminar "The way forward in poverty measurement"

Note by the secretariat

Addendum

Summary

The Conference of European Statisticians, at its sixty-first plenary session in June 2013, approved the activities undertaken under the UNECE Statistical Programme 2013, and endorsed the list of meetings planned to be organized from June 2013 to June 2014, as provided in document ECE/CES/14 (annex I). This list included a Seminar on the way forward in poverty measurement, which was held in Geneva on 2-4 December 2013.

The present document is the report of that Seminar and is provided to inform the Conference of European Statisticians of the organization and outcomes of the meeting.

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I. Attendance

1. The Seminar on the way forward in poverty measurement was jointly organized by the United Nations Economic Commission for Europe (UNECE), the Organization for Economic Cooperation and Development (OECD) and the Interstate Statistical Committee of the Commonwealth of Independent States (CIS-Stat) on 2-4 December 2013 in Geneva. It was attended by participants from Albania, Armenia, Azerbaijan, Belarus, Bosnia and Herzegovina, Chile, Colombia, Georgia, Germany, Hungary, Italy, Kazakhstan, Kyrgyzstan, Latvia, Poland, Republic of Moldova, Russian Federation, Slovakia, Slovenia, Sweden, Switzerland, Tajikistan, the Former Yugoslav Republic of Macedonia, Turkey, Turkmenistan, Ukraine, United Arab Emirates, United Kingdom and Uzbekistan. The European Commission was represented by Eurostat and the European Union Agency for Fundamental Rights (FRA). CIS-Stat, OECD, the United Nations Development Programme (UNDP) and the World Bank were also represented, as well as experts from Oxford University (United Kingdom) and the University of Heidelberg (Germany). Altogether, 62 participants attended.

2. A number of participants could attend the Seminar thanks to the financial support provided by the United Nations Development Programme (UNDP), the European Free Trade Association (EFTA), the World Bank and UNECE, including support through the United Nations Development Account.

II. Organization of the Seminar

3. Ms. Blagica Novkovska, Director General of the State Statistical Office of the former Yugoslav Republic of Macedonia was elected as Chair of the Seminar.

4. The following substantive topics were discussed at the meeting:

(a) Methodological issues in poverty measurement;

(b) Data comparability;

(c) Interlinkages between poverty, inequality, vulnerability and social exclusion;

(d) Future work on poverty measurement;

(e) Finalisation of work of the Expert Group on meeting 10-11 September 2014, Berlin, Germany.

5. The following participants acted as Discussants: for session a) Mr. Giorgi Kalakashvili (National Statistical Office of Georgia) and Mr. Ben Slay, UNDP, for session b) Mr. Richard Tonkin (UK Office for National Statistics), for session c) Mr. Christian Oldiges (Heidelberg University) and Mr. Nicolas Ruiz (OECD). Each of the discussant was a member of the panel discussion on the future work on poverty measurement. Mr. Andres Vikat (UNECE) was the moderator of this panel.

6. The discussion was based on papers and presentations that are available on the UNECE website.[1]

[1] http://www.unece.org/stats/documents/2013.12.poverty.html

III. Summary of discussion

7. Ms. Lidia Bratanova, Director of the UNECE Statistical Division, opened the Seminar. This was followed by two presentations from UNECE and UNDP, respectively, which informed about the context of the Seminar.

8. **UNECE** showed that countries do not report on indicators that are not relevant to them or for which no primary data sources are available. Lack of metadata hinders the interpretation and comparability of data. Attention was drawn to the fact that in the current session of the General Assembly, the countries have decided to decide upon how the post-2015 agenda will look like. It is important that statisticians are involved in this discussion and participants were urged to make sure their governments consult them before deciding on the post-2015 agenda in the General Assembly in 2015.

9. The **UNDP** representative reflected on the inadequacies of the Millennium Development Goals (MDGs) for Europe and Central Asia. It was noted that income poverty is relatively unimportant and that remittances matter more than official development assistance in several countries in the region. It was argued that in many respects, lessons learned from the middle-income countries in the region are relevant for the post-2015 agenda, to ensure relevance of the new indicators for them. The need to align the Sustainable Development Goals (SDGs) with national statistical capacity was stressed as well as the fact that inequalities, vulnerabilities matter and that these should be better measured. UNDP's adaption of the regional Human Development Report with social exclusion indicators, experiences with monitoring Roma vulnerability and Armenia's affordable human development index were provided as examples.

A. Methodological issues in poverty measurement

10. The session was divided into two blocks. The discussion in the first block was based on papers and presentations from Georgia, Tajikistan, Republic of Moldova, Kazakhstan and Portugal. Mr. Giorgi Kalakashvili from Georgia was the discussant. The discussion in the second block was based on papers and presentations from Turkey, Belarus, World Bank, United Kingdom, Ukraine and Kyrgyzstan. The discussant was Mr. Ben Slay representing UNDP.

11. The paper from **Armenia** showed how the national practices in poverty measurement. The Integrated Living Conditions Survey was used to estimate the consumption aggregate based on food and non-food consumption and the rental value of durable goods. This includes in-kind consumption. The absolute poverty line consists of the food poverty line and the estimated costs of non-food goods and services.

12. **Tajikistan's** paper showed the many discussions and debates on the definition and interpretation of poverty indicators in Tajikistan and described the poverty measurement methodology proposed by the World Bank. However, many believe that the methodology based on $2.15 (ppp) per day does not fully reflect the picture of poverty in the country and is not adequate to national situation. A national platform was setup to discuss technical issues of household budget surveys and poverty indicators and other matters.

13. The presentation of the **Republic of Moldova** discussed the national practice in poverty measurement and its changes. Their basic needs approach uses food and non-food components. It was shown how the rate varies depending on the items included in the consumption expenditure. Price differences over time and across regions were corrected by constructing consumer price indexes (CPI) for each survey area and combining it with official CPI for services and non-food items. This would lower rural poverty while slightly increasing urban poverty.

14. The representative of **Kazakhstan** explained that the criterion for assessment of the standard of living and definition of the poverty line is defined by law in Kazakhstan. It is based on the cost of the minimum food basket and minimum necessary non-food and services. Other indicators used include food security at household level and subjective opinion on the level of the households' own financial well-being.

15. The paper of **Portugal** was presented by the discussant. The paper showed the drawbacks of the relative poverty lines when it does not rise when incomes decrease. This is difficult to explain to the public. The need to overcome this gap using absolute measures of poverty aimed at reflecting a minimum level of income considered adequate. It was noted that this is a complex task, implying a discussion between different fields of knowledge, which can be substituted in the near future by the increase use of anchored measures of poverty.

16. The representative of **Belarus** explained how poverty and inequality was measured in their country and how the statutory national poverty line of the minimum subsistence budget was determined. Additionally, the relative poverty line, subjective poverty and material deprivation indicators were presented. For the latter, the methodological issues were listed. Belarus intends to work further on material deprivation, multi-dimensional poverty measurement and measuring social benefits and subsidies.

17. The **World Bank** presentation focussed on non-response in household surveys and gave examples on how to lower this. For example, 'unfolding brackets' technique can be used to get better data on wealth, assets and income. Another was on re-weighing according to reliable population estimates and on parametric corrections to improve results.

18. Measuring social transfers in kin (STIK) was the topic of the presentation of the **United Kingdom**. The impact of education and health services and of public transport subsidies on income distributions and poverty statistics were shown. Including STIKs was found beneficial for international and within-country comparison. However, the choice of the appropriate equivalisation scale is vital and the outcome analysis depends on several choices and assumptions.

19. **Ukraine** presented the criteria, challenges and perspectives in their national poverty measurement. The various approaches to defining poverty criteria, international comparability and their data sources were discussed. It was shown that multiple indicators are needed to measure poverty adequately. Improving the reliability of poverty criteria using indirect evaluation methods, including for small territories was considered an important issue. Ukraine also plans to assess the impact of targeted social assistance system on poverty. It was further argued that for policy makers, other users and the public it is important to elaborate a unified approach or a threshold usable for international comparisons.

20. **Kyrgyzstan** explained how the state law on minimum social standards and other government resolutions set the legislative framework for national poverty measurement. International experts were consulted and a task force set up to determine the methodology. It was shown how the general poverty line consisted of an absolute poverty line based on minimum food basked and non-food items. The differences between regions and rural/urban areas were shown as well as how the data was used internally and by other government agencies.

21. The discussants summarized the conclusions and started the discussion. They noted that most presentations had a strong technical orientation and some had a strong policy component. Some countries had embedded poverty lines in legislation, which shows commitment by governments but might also reduce flexibility. It was further remarked that statistical offices have lots of capacity to measure poverty, but the measures must be made relevant to policy questions.

22. It was questioned if the sample size of the **Belarus** survey was sufficient for presenting figures at the level of municipalities. The sample size was only sufficient to produce data at the district level. On a question regarding not using the OECD equivalence scales, it was replied that since Belarus is a middle-income country, these needed to be adjusted in order to reflect national circumstances. It was further explained that the food basket is 55 per cent of the subsistence minimum and that the relative poverty line is defined by law. As it is a new measure, no studies could be conducted regarding the development compared to other poverty lines.

23. On questions regarding lowering non-response of higher income groups, the **World Bank** representative noted that incentives are better directed to enumerators than to participants and that several other techniques have been tried. One can also post-stratify or re-weight the survey, or use modelling techniques to smooth the income distribution. It was noted that the impact on the Gini of top censoring is limited. Under-reporting of income could be reduced by using administrative data, for example in case of food stamps and that the unfolding brackets may be better in eliciting less biased responses. It might reduce non-response by two thirds. Other approaches should be tested to test their effectiveness. **UNDP** noted that distrust of surveys might be a driver of non-response. They have some experience of working with NGOs to undertake surveys of Roma populations who have traditionally been distrustful of surveys.

24. The **United Kingdom** clarified that pharmacy data was used because types of medical cover can vary widely in the UK. The STIK was an additional analysis and were not been incorporated into headline UK poverty figures. Results are early results and investigating the characteristics of those taken out of the poverty measure due to these transfers, as opposed to those still below the poverty line has not yet been undertaken. For transport, costs are distributed based on transport expenditure. Allocations are performed separately for London and the South East of England, as opposed to the rest of the UK. With respect to social transfers in kind, it was also noted that quasi-fiscal subsidies (such as households that do not pay for their utilities), and mono-industrial towns (where taxes may not be paid) were important issues to include.

25. It was asked if **Kyrgyzstan** use different CPI and regional prices. Since most production is domestic, regional variation exists for the prices used in the food basket, such as fruits and vegetables. On the question on the inclusion of migrants and remittances, it was answered that the consumption figures include income from outside the country, so this is not an adjustment. Inclusion of income from overseas is needed to evaluate the effectiveness of benefits in eliminating poverty, rather than just providing relief from it.

26. It was also remarked that a challenge exists in integrating non-food costs into the cost of living and that most variation in CPI is expected in the non-food dimension. The **World Bank** representative noted further that PPP figures are due to be released soon, but the terms of use of data collections for PPP figures are not always clear. It would be good to receive highly disaggregated data from multiple countries on prices. PPP/CPI measures often only include figures from urban areas. Attempts have been made to calculate PPPs for poor people and more support is needed on providing micro data that can be reconciled with national-level figures.

B. Data comparability

27. The discussion was based on papers and presentations from the Russian Federation, CIS-Stat, OECD, UNDP and the World Bank. Mr. Richard Tonkin from the United Kingdom was the discussant.

28. **CIS-Stat** presented the results of an analysis of poverty methods in the countries of the Commonwealth of Independent States. The results showed that along with common approaches in the assessment of poverty levels, there are significant differences among the

countries. For example, national consumer baskets, measures of well-being, equivalence scales can all differ and some use consumption, while others measure income to estimate poverty levels.

29. The presentation of the **World Bank** in this session focussed on ex-post harmonization efforts by the Bank. The work of the Global Poverty Working Group and Europe Central Asia Team for Statistical Development was explained, including ex-post harmonization efforts for the World Bank's ECAPOV database. This ensures comparability; however, differences remain. It was further shown how anonymity of the data was guaranteed and how the data can be used.

30. **UNDP** presented the Affordable Human Development Index. It measures what is achieved and at what costs. It was developed in cooperation with Armenia. The Index shows how environmental, income, education and health sustainability contribute to non-affordability and how the losses compare the extended and affordable human development index.

31. The paper presented by **OECD** discussed their approach to measure and monitor income poverty across countries. Poverty as a 'well-being failure' is multi-dimensional and goes beyond material conditions. The household income poverty indicators collected and analysed by the OECD were presented and it was shown how the Income Distribution Database[2] could be used to produce harmonized income distributions and poverty lines.

32. The second presentation in this session by the **World Bank** showed the variety of initiatives the Bank has undertaken to increase the frequency of welfare data to inform rapid policy response to time sensitive economic developments. These include nowcasting and forecasting to fill in missing surveys according to macroeconomic and population historical figures and projections, survey-to-survey imputations, internet-based data as well as mobile phone surveys.

33. The paper prepared by Rosstat reviewed basic areas of work and progress made in the field of poverty statistics in the **Russian Federation**. The change in data source in 1992 and the various lines currently in use were presented as well as results, including by sex and age. Causes of discrepancies with macroeconomic indicators of monetary income were discussed as well as differences in rates of decline between relative and absolute indicators. Tasks requiring solutions were also identified.

C. Interlinkages between poverty, inequality, vulnerability and social exclusion

34. The session was divided into two blocks. The discussion in the first block was based on papers and presentations from Colombia (two papers), Poland, Oxford University and a dual presentation from UNDP and the EU Fundamental Rights Agency. Mr. Christian Oldiges from Heidelberg University, representing the Oxford Poverty and Human Development Initiative, was the discussant. The discussion in the second block of the session was based on papers and presentations from Armenia, Colombia, Switzerland, Eurostat and the World Bank. The discussant was Mr. Nicolas Ruiz from OECD.

35. The first paper contributed by **Colombia** to this session discussed the complexity of measuring poverty and defining the poor. The Colombian implementation of the Oxford Poverty and Human Development Initiative Multiple Poverty Index was described. The discussant concluded that it was an interesting project and a good example of multidimensional poverty measurement.

[2] http://oe.cd/idd

36. The presentation of the second paper contributed by **Colombia** looked at living conditions in Columbia to measure poverty, including subjective poverty, lack of food security and multidimensional poverty. The National Quality of Life Survey was used to monitor poverty and MDGs. It was found that that there is a significant positive relationship between the perception of poverty and most subcategories composing the MPI. Lack of food security in the household has a positive and significant relationship with the subjective perception of poverty.

37. **Poland** presented a paper on their national approach to measuring multidimensional poverty and social isolation. It was described how the Social Cohesion Survey was used to measure not only income, but also poverty in terms of living conditions and budget balance. The relation to social isolation and social exclusion was shown. It was concluded that there are households above the income poverty line that face considerable difficulties and that there is a lack of a strong correlation between poverty and social isolation.

38. An overview of the **Oxford Poverty and Human Development Initiative** was presented by a representative from Oxford University. The strength of studying joint distributions of deprivation was shown and the application of the Alkire Foster method to produce Global Multidimensional Poverty Index (MPI) was described. The break down by incidence and intensity and decomposition across sub-groups were given as strengths of the method. How the MPI can complement monetary poverty measures in the post-2015 Development Agenda was indicated.

39. **UNDP** presented their paper on their work on the Social Exclusion Index and micronarratives. The index is based on the Alkire-Foster method and measures next to economic, exclusion in social services, and civic and political participation exclusion. It was shown that different combinations of individual risks, drivers and local context produce different levels of social exclusion. How micronarratives combine qualitative and quantitative and its usefulness was also presented.

40. The paper presented by **Switzerland** focused on their official poverty measurement. It was noted that poverty is a multidimensional phenomenon that depends on the national context. Results from absolute, relative and measures of material deprivation are compared, including for subgroups. The sensitivity to using different equivalent scales is made clear as well as the need to include consumption poverty based indicators.

41. Representative of **Eurostat** presented a paper on the achievements and further improvements to the measurement of poverty and social inclusion in the EU. Based on EU-SILC, the at-risk-of-poverty rate, severe material deprivation and very low work intensity are used to estimate poverty and social exclusion. Strengths and weaknesses were presented, as were mid-term revisions and other options to improve measurement further.

42. The paper submitted by **Colombia** on identifying regional disparities using GIS and population census data in multidimensional poverty was presented by the discussant. He concluded that it was a very interesting paper showing how GIS could be used to present and analyse poverty data. It could for example detect welfare paths and hubs creating corridors of relative wealth among areas of poverty in the country.

43. The presentations in this session concluded with a paper by **Armenia**. It showed the country's experience in assessing child poverty by household characteristics and in terms of material and housing deprivation, and unsatisfied needs of children, based on the 2011 integrated living conditions survey.

44. The discussant drew some initial conclusions and posed some questions to the presenters. **Switzerland** clarified that administrative standards determined the different equivalence scales for different types of households. On the question which measure the policymakers are using, the Swiss representative replied that the absolute poverty line was important but that for international comparison, relative poverty and measures based on deprivation were more useful.

45. **Armenia** explained that two separate sets for material and housing deprivation were used. It was considered difficult to assess whether households do not have items because they cannot afford them or because they do not need them.

46. **Eurostat** noted that strong efforts were made to harmonize the EU-SILC data, but there are still issues as it is output harmonization. Therefore, caution must be used when comparing data. Regarding panel-based data, Eurostat pointed at the perspective of moving from four to six-year panels to analyse dynamics better.

47. In the discussion the question was further raised how subjectivity and consistency of poverty measures should be explained to users. The importance of having harmonized concepts and definitions across different surveys was stressed.

48. The representative of **Italy** remarked that the poverty risk for households with children was higher and that they were working with Eurostat on an experimental module on specific measures of deprivation for children. Poland remarked that they have special questions on child deprivation and that separate aggregate indicators were used.

49. The representative of the **United Kingdom** noted that poverty was higher for people older than 65 years but that after considering the different housing costs, it was lower. Regarding confusion with users, it was remarked that if we communicate clearly, there should be no confusion among users about the different measures. Germany added that they experienced confusion in the media about the different poverty measures. They want one indicator and not multiple. The representative would like to have a resume on how poverty measurement can be streamlined and whether this is realistic. The **Russian Federation** noted that the discussion was extremely useful. Because of national legislation, they did not use OECD standards and that poverty levels are used for policy programmes. Turkey mentioned that they have carried out EU-SILC since 2006 but had not finished a study on income. They hope do so this year using the Siena model.

D. Future work on poverty measurement

50. The five discussants presented their conclusions from their respective sessions on the way forward in poverty measurement.

51. Regarding the session on 'Methodological issues in poverty measurement', it was concluded that even though countries use the same method of poverty measurement, they still have differences between them. It would be helpful if UNECE provides guidance on a set of indicators for comparability reasons and help the countries with definitions and concepts. The development of the methodology would be another issue for the future. The second discussant stressed the importance of international recognized measures. It was also noted that the policy relevance is important and that statisticians should be involved in the demand side but that they feel more comfortable with being suppliers. The MDGs were not designed together with statisticians. It is important that the voice of statisticians be heard for the post 2015 development goals.

52. The discussant of the session on data comparability noted that the wide range of measurements for poverty that represents the diversity of UNECE countries. Because of the diversity there is not going to be 'one size fits all', but we could work towards greater harmonization of concepts, classifications and definitions. This is important not only for the international organisations, but also for national statistical offices. Furthermore, the needs to document existing methods properly and to develop good practice guidelines for specific technical issues were mentioned. The importance of developing a set of coherent indicators to supplement and complement national once was stressed. The set should have relevance for all UNECE countries, even though not each indicator can be relevant for all countries.

53. The conclusions for future work from the session on interlinkages between poverty, inequality, vulnerability and social exclusion was presented by the two discussants. It was

concluded that there was a clear agreement that poverty should be measured multidimensional. Deprivation should be measured in different fields, for example in education and health. The Alkire-Foster method has been adopted by UNDP and some other countries and the OPHI already provides a platform. Most were used mainly to measure extreme poverty. It would be needed to agree upon indicators that are relevant for the UNECE region. We need a set of both absolute and relative poverty measures but we need complementary measures to cover the multidimensionality.

54. It was further noted that the Eurostat is the only example where the concept of poverty is harmonized and where data are comparable. Poverty and vulnerability are very closely related and the concept of vulnerabilities is very important. Equality in opportunities is something that should be looked into and could be useful for poverty measurement. It was concluded that a proposal for common indicators and methodology could be put forward but within the margin of current data sources. It was added that metadata are the key for future work and that.

55. The moderator summarized briefly the main important aspects brought forward by the discussants. A list of some options for future work that could result from it and how to organize this was provided. The functions and working methods of the governing body – the Conference of European Statisticians and its Bureau – were clarified. This was followed by interventions from the floor by Chile, Kyrgyzstan, Latvia, Poland, Russian Federation, United Arab Emirates, Tajikistan, UNECE and the World Bank.

56. After the closure of the panel discussion, the Secretariat summarized the conclusions and recommendations with regard to the future work on poverty measurement. The next section presents the recommendations on future work that were agreed upon and approved by the representatives present at the seminar.

III. Recommendations for future work

57. The Seminar concluded that future work at international level is needed in a number of areas. Participants emphasised the need for developing a coherent set of indicators to measure absolute and relative poverty, inequality and social exclusion in countries of the Conference of European Statisticians. Such work should also recommend common definitions and terminology in these areas, building on existing international practice.

58. Participants found that availability of documentation of data sources and computation methods has to improve and that international guidelines should address this issue.

59. The future work should provide guidelines to national statistical offices on the ways to arrive at regular and sustainable production of statistics on poverty. The work should be closely linked to the monitoring of poverty reduction in the context of the post-2015 development agenda.

60. The Seminar recommended that a task force under the auspices of the Conference of European Statisticians could undertake this work. Participants from Chile, Colombia, Italy, Georgia, Germany, Poland, Russian Federation, Turkey, United Kingdom, OECD, UNDP, the World Bank, and the Oxford Poverty and Human Development Initiative (United Kingdom) expressed interest in contributing to this work.

61. Participants agreed that the possibility to develop guidelines for multidimensional measurement of poverty should be further explored.

62. Participants appreciated the exchange of experience and good practice among countries with different practices and challenges in poverty measurement, which took place at the Seminar. To continue this exchange, participants recommended the UNECE

Secretariat to organize a follow-up seminar on poverty measurement in approximately one year.

IV. Adoption of the report of the meeting

63. The short version of the report that included the main recommendations was adopted during the closing session.